Washington, DC –Wednesday, the House passed the Tax Extenders Act of 2009, a bill that would provide individuals and businesses with approximately $31 billion in tax relief in 2009 by extending for one year (through 2010) more than forty provisions that are scheduled to expire at the end of 2009. Included in the bill was a provision that Congressman Harry Teague introduced to extend the suspension of the net income limitation on percentage depletion. The income limitation severely restricts the ability of American independent producers to use percentage depletion, particularly with respect to marginal wells.

“New Mexico’s small oil and gas producers are essential to our local economies and help secure American’s energy independence,” said Congressman Harry Teague. “I am pleased the language from my bill was included in this legislation. Keeping this incentive in place is critical to the recovery of our local industry and economy. Without these critical tax incentives many of our small producers would have to plug wells that create jobs for New Mexicans.”

Many of the wells in southeastern New Mexico are marginal oil wells – those producing on average 15 barrels per day or less. These wells account for approximately 20 percent of American oil production. Marginal natural gas wells – those producing on average 90 mcf/day or less – account for approximately 10 percent of American natural gas production.

In addition to the extension of the suspension of the net income limitation on percentage well depletion there are several provisions in the legislation that will benefit southern New Mexico. Included in the $30 billion in tax relief is more than $5 billion in individual tax relief and more than $17 billion in business tax relief. The Tax Extenders Act of 2009 provides this relief without adding to the deficit.

###